

**MCGREGOR MUNICIPAL UTILITIES**  
**INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT**  
**ON APPLYING AGREED UPON PROCEDURES**

**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

**MCGREGOR MUNICIPAL UTILITIES  
MCGREGOR, IOWA**

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**MCGREGOR MUNICIPAL UTILITIES  
MCGREGOR, IOWA**

**OFFICIALS**

Name -----	Title -----	Term Expires -----
	<u>Before January 2014</u>	
Charles Zahn	Chairman	December 2013
Dennis Regal	Secretary	December 2015
Craig Strutt	Trustee	December 2015
Tammy Kinley	Trustee	December 2017
Linda Boeke	Trustee	December 2016
Kris Eulberg	Office Administrator	Indefinite
Greg Schiller	Attorney	Indefinite
	<u>After January 2014</u>	
Charles Zahn	Chairman	December 2019
Dennis Regal	Secretary	December 2015
Craig Strutt	Trustee	December 2015
Tammy Kinley	Trustee	December 2017
Linda Boeke	Trustee	December 2016
Kris Eulberg	Office Administrator	Indefinite
Greg Schiller	Attorney	Indefinite

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## **INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT**

To the Board Chairman and  
Members of the Board of Trustees

We have performed an agreed-upon procedures engagement of the McGregor Municipal Utilities pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide certain minimum oversight of Iowa municipal utilities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the McGregor Municipal Utilities for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected Board of Trustees meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the Utility's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the Office Administrator's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the Board of Trustees.
5. We reviewed Utility funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

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7. We reviewed compliance with Chapters 12C.2, 12B, 10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the Utility. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the McGregor Municipal Utilities, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the Utility's financial statements. Had we performed additional procedures, or had we performed an audit of the McGregor Municipal Utilities, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the McGregor Municipal Utilities and other parties to whom the McGregor Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the McGregor Municipal Utilities during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor Brooks & Co P.C.*

Dubuque, Iowa

November 7, 2014

## **DETAILED RECOMMENDATIONS**

## MCGREGOR MUNICIPAL UTILITIES

### DETAILED RECOMMENDATIONS

**For the Period July 1, 2013 through June 30, 2014**

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. It was noted that one employee performs most duties over the areas of cash, receipts, disbursements, payroll, utility billing, and financial reporting.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including board trustees.

- B. Approved Wage Rates - While the Utility Board of Trustees is approving wage increases, they are currently approving a percentage increase instead of an hourly wage or salary.

Recommendation - Wage increases should be approved by the Utility Board of Trustees as an hourly rate or salary and not just a percentage increase. Wage increases for the June 30, 2014 fiscal year were also approved by a percentage and not an hourly rate or salary. However wage increases for the June 30, 2015 fiscal year wages were approved on an hourly basis or salary. The wage increase approval should also include the new hourly rate and the new salary in the minutes.

- C. Utility Board of Trustees Minutes - Chapter 372.13(6) of the Code of Iowa requires minutes of all Utility Board of Trustees proceeding be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days and this meeting was never published at all.

Recommendation - The utility should comply with the Code of Iowa and publish Utility Board of Trustees minutes within fifteen days of the meeting as required.

- D. Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Employees	Christmas Gift	\$ 200

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Utility Board should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Utility should establish written policies and procedures, including the requirements for proper documentation.